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Response to Call for Evidence – Electricity System Operator’s (ESO) end of scheme performance 2021-2023

Context

Sembcorp Energy UK (SEUK), a wholly-owned subsidiary of Sembcorp Industries, is a leading provider of sustainable solutions supporting the UK’s transition to Net Zero. With an energy generation and battery storage portfolio of over 1.3GW in operation or under development, our expertise helps major energy users and suppliers improve their efficiency, profitability, and sustainability, while supporting the growth of renewables and strengthening the UK’s electricity system.

Our Wilton International site, within the Teesside Freeport, sits amongst a hub of decarbonisation innovation. At the site, we provide energy-intensive industrial businesses with combined heat and power (CHP) via our private wire network that supplies electricity generated by gas and biomass.

These services are complemented by our fleet of fast-acting, decentralised power stations and battery energy storage sites situated throughout England and Wales. Monitored and controlled from our central operations facility in Solihull, these flexible assets deliver electricity to the national grid, helping to balance the UK energy system and ensure reliable power for homes and businesses.

Role 1 – Control centre operations

Throughout the period of BP1, there has been good transparency of data and operations through the Operational Transparency Forum, Operational Stability Report, the Dispatch Transparency dataset and the development of the data portal has been success and of value to industry.

ESO have improved near-term renewable forecasting, such as winter and the collaboration with Open Climate Fix.

Role 2 – Market development and transactions

Uncertainties with network charging and the extra work-load associated with multiple, high complicated modifications have been handled well, with sensitivities incorporated into the Five Year Forecast in line with stakeholder feedback and beyond legal requirements and good communication to industry. As Code Admin, the ESO have performed well and the extra FTE is appreciated by the industry to keep improvements from becoming bogged down.

The ESO must be clear within the change process whether they are a party with a direct interest or 'neutral' as Code Admin. This distinction is particularly important as the industry looks to the development of Code Managers.

Product development around ancillary services has been and will remain an important part of the ESO's role. This becomes an ever more challenging process given the changing nature of the generation mix and subsequent judgments needed regarding both the new ancillary services required and availability of service providers. New products should compliment existing services where possible, rather than dismissing existing markets.

Against that background, Sembcorp believes there was good bilateral communication in the first year of the Scheme. However, we also consider that more attention to understanding the practicalities of implementation when it came to new ancillary services would have been helpful - the proposed Quick Reserve product is a case in point.

- Feedback from industry was listened to but late in the design stage, meaning there have been significant delays.
- Moreover, while we appreciate and understand the ESO's desire to drive developments in ancillary services, this process would be helped by incorporating a more explicit assessment of any new products in terms of technology-neutrality and the existence of liquid markets characterised by multiple service providers.
- It is key that small players are not excluded from market participation. The proposed approach for Balancing Reserve was disappointing but we look forward to hearing the next steps on this.
- We would also support a more co-ordinated approach between the Technical and Commercial teams within NGENSO, as it is not always clear to us that the practical implementation of new services and the implications for the system have been holistically considered.

Role 3 – System insight, planning and network development

We highlighted in our reviews of ESO's performance throughout the scheme the need for cooperation on future market design between ESO, industry and Energy UK to avoid duplication. There was good stakeholder engagement early in the Net Zero Market design project but perceptions of poor communication within the ESO made constructive conversation difficult in later stages. For instance, there was confusion as to whether the report by FTI¹ for ESO's Net Zero Market Design on locational markets represented a balanced conclusion from the ESO as a whole, or whether it was representative of system needs alone.

The Pathfinder schemes continue to be a suitably competitive procurement effort for new technologies to address system needs and continual improvement to the Future Energy Scenarios provide valuable insight to wider industry.

Holistic Network Design has been communicated well to stakeholders and is allowing industry to understand network planning, and so supports wider industry goals to build a cost-effective, secure system for consumers. There are continued concerns about high balancing costs and constraints but the ESO has acted appropriately to address these where they can.

¹ Phase 3 Conclusions report <https://www.nationalgrideso.com/future-energy/projects/net-zero-market-reform>